

STATE OF CONNECTICUT

**AUDITORS' REPORT
CHARTER OAK STATE COLLEGE
FOUNDATION INC.
FOR THE FISCAL YEAR ENDED
JUNE 30, 2002**

**AUDITORS OF PUBLIC ACCOUNTS
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE**

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Charter Oak State College Foundation, Inc.:

We have audited the accompanying statement of financial position of the Charter Oak State College Foundation, Inc., (the Foundation) as of June 30, 2002, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2002, and the change in net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

December 10, 2003
State Capitol
Hartford, Connecticut

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE

The Board of Directors
Charter Oak State College Foundation, Inc.:

We have audited the financial statements of the Charter Oak State College Foundation, Inc., (the Foundation) as of and for the fiscal year ended June 30, 2002, and have issued our report dated December 10, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with Sections 4-37e to 4-37k of the Connecticut General Statutes, any other laws and internal controls relevant to the Foundation is the responsibility of the Foundation's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Foundation's compliance with Sections 4-37e to 4-37k of the Connecticut General Statutes. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such statutes. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein.

This report is intended for the information of the Board of Directors and any applicable regulatory body. However, this report is a matter of public record, and its distribution is not limited.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

December 10, 2003
State Capitol
Hartford, Connecticut

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL BASED UPON AN
AUDIT OF FINANCIAL STATEMENTS**

The Board of Directors
Charter Oak State College Foundation, Inc.:

We have audited the financial statements of the Charter Oak State College Foundation, Inc, (the Foundation), as of and for the fiscal year ended June 30, 2002, and have issued our report dated December 10, 2003.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Foundation is responsible for establishing and maintaining effective internal control. In planning and performing our audit, we considered the Foundation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that would be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors. However, this report is a matter of public record and its distribution is not limited.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

December 10, 2003
State Capitol
Hartford, Connecticut

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

ASSETS:

Cash and cash equivalents	\$	158,723
Investments		497,530
Computer equipment		52,813
Less: Accumulated depreciation		(31,077)
Unconditional promises to give, net		98,436
Other receivables		<u>354</u>
 TOTAL ASSETS	 \$	 <u><u>776,779</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES	\$	0
 NET ASSETS:		
Unrestricted		(51,161)
Temporarily restricted		78,537
Permanently restricted		<u>749,403</u>
 TOTAL LIABILITIES AND NET ASSETS	 \$	 <u><u>776,779</u></u>

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES AND SUPPORT:				
Contributions	\$ 3,715	110,542	150,894	\$ 265,151
Investment income	1,508	13,914	-	15,422
Gain/(loss) on investments, net	(32,216)	(13,914)	-	(46,130)
Net assests released from restrictions				-
Restrictions satisfied by payments	78,204	(78,204)	-	-
TOTAL REVENUES AND SUPPORT	<u>51,211</u>	<u>32,338</u>	<u>150,894</u>	<u>234,443</u>
EXPENSES:				
Program services				
Scholarships and grants	6,290	-	-	6,290
Women in transition	74,031	-	-	74,031
Supporting services				
General and administrative	2,448	-	-	2,448
Fund raising	2,316	-	-	2,316
TOTAL EXPENSES	<u>85,085</u>	<u>-</u>	<u>-</u>	<u>85,085</u>
CHANGE IN NET ASSETS	(33,874)	32,338	150,894	149,358
NET ASSETS, BEGINNING OF YEAR	<u>(17,287)</u>	<u>46,199</u>	<u>598,509</u>	<u>627,421</u>
NET ASSETS, END OF YEAR	<u>\$ (51,161)</u>	<u>\$ 78,537</u>	<u>\$ 749,403</u>	<u>\$ 776,779</u>

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Program Services		Supporting Services		Total
	Scholarships and grants	Women in transition	General and Administrative	Fund Raising	
Salaries and wages	\$ -	\$ 23,508	\$ -	\$ -	\$ 23,508
Scholarships and grants	6,290	23,018	-	-	29,308
Depreciation expense	-	16,246	-	-	16,246
Women in transition fundraiser	-	5,897	-	-	5,897
Computer and related services	-	5,362	-	-	5,362
Meetings and conferences	-	-	703	-	703
Printing and publications	-	-	412	2,116	2,528
Postage	-	-	125	200	325
Office supplies and expense	-	-	1,208	-	1,208
TOTAL EXPENSES	\$ 6,290	\$ 74,031	\$ 2,448	\$ 2,316	\$ 85,085

See accompanying notes to financial statements.

CHARTER OAK STATE COLLEGE FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ <u>149,358</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	16,246
Net realized and unrealized losses on investments	53,817
Decrease in unconditional promises to give	4,702
Increase in other receivables	<u>(354)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	74,411
CASH FLOWS FROM INVESTING ACTIVITIES	
Payments for purchase of investments, net	(178,006)
Payments for computer equipment	<u>(15,060)</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	(193,066)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,703
CASH AND CASH EQUIVALENTS - JUNE 30, 2001	<u>128,020</u>
CASH AND CASH EQUIVALENTS - JUNE 30, 2002	<u><u>\$ 158,723</u></u>

See accompanying notes to financial statements.

**THE CHARTER OAK STATE COLLEGE FOUNDATION, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Activities:

The Charter Oak State College Foundation, Inc., (the Foundation) operates exclusively for charitable and educational purposes and as such promotes interest in and support of open learning and credentialing in higher education. The Foundation solicits contributions of funds for the support of such activities.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets--Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets--Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Foundation and/or by the passage of time. When a restriction expires, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets--Net assets subject to donor-imposed stipulations that may be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specified purposes.

Cash and Cash Equivalents:

Cash and cash equivalents consist of cash in checking and savings accounts, as well as highly liquid investments that are readily convertible into cash.

Contributions:

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at their present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Investments:

Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Income Taxes:

The Foundation is exempt from Federal income taxes under Internal Revenue Code Section 501 (C)(3).

NOTE 2 CONCENTRATION OF CREDIT RISK

The Foundation's deposits are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2002, there were no uninsured deposits.

NOTE 3 INVESTMENTS

Investments are stated at fair value and consist of mutual funds.

	<u>June 30, 2002</u>
Market value	\$ 497,530
Cost	<u>584,825</u>
Deficiency of market value under cost	\$ <u>(87,295)</u>

NOTE 4 PROMISES TO GIVE

The State of Connecticut has established a Higher Education State Matching Grant Fund to be administered by the Department of Higher Education in accordance with Section 10a-8b of the General Statutes. Section 10a-143a of the General Statutes requires the Board for State Academic Awards (the Board) to establish a permanent Endowment Fund to encourage donations from the private sector. The net earnings on the endowment principal are dedicated and made available to Charter Oak State College for scholarships and programmatic enhancements. The State matches one half of the private funds raised for those endowment funds.

Based on the legislation, the Foundation has recognized the following amounts for the year ended June 30, 2002:

Match receivable for calendar year 2001 contributions	\$ 57,167
Match receivable for calendar year 2002 contributions, through June 30, 2002	<u>14,720</u>
Total	\$ <u>71,887</u>

Unconditional promises to give at June 30, 2002, are as follows:

Receivable due in less than one year	\$ 72,642
Receivable due in one to five years	<u>27,270</u>
Total promises to give	99,912

Less: discount to net present value at 5% discount rate	(1,476)
Net promises to give	\$ <u>98,436</u>

NOTE 5 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes:

Educational lectures	\$ 4,834
Other funds restricted for program purposes	2,410
Scholarships or grants	725
Technology	1,445
Women in transition	<u>69,123</u>
Total temporarily restricted net assets	\$ <u>78,537</u>

NOTE 6 PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted in perpetuity, the income of which is expendable to support the following purposes:

Book fund	\$ 1,099
Educational lectures	57,492
Other funds restricted for program purposes	383,838
Scholarships or grants	98,799
Technology	105,592
Women in transition	<u>102,583</u>
Total permanently restricted net assets	\$ <u>749,403</u>

NOTE 7 NET ASSETS RELEASED FROM RESTRICTIONS

Temporarily restricted net assets were released from donor restrictions during the year by incurring expenses satisfying the restricted purpose specified by the donor. The temporarily restricted net assets released from restriction related to the following:

Purpose restrictions accomplished:	
Other funds restricted for program purposes	\$ 1,804
Scholarships or grants	2,369
Women in transition	<u>74,031</u>
Net assets released from restrictions	\$ <u>78,204</u>